

# CANADA'S IMPULSE TOWARD THE NATIONALIZATION OF RAILROADS

A Movement in "Economic Apostasy" to Which War Experiences Have Imparted Perhaps Irresistible Momentum—Possibility of Two Transcontinental Systems, One Owned by Private Capital and the Other by the Government

By S. ROY WEAVER

Toronto, November 24. RECENT public utterances of Mr. Samuel O. Dunn, editor of "The Railway Age Gazette," have served as a challenge to public ownership sentiment in Canada. In view of the investigation into the railway situation in the Dominion now being made by a special commission and the expectation that the commission's report will advise a measure of nationalization, the test of the people's attitude toward the principle of government ownership has special interest and significance. Mr. Dunn, who is an uncompromising exponent of private ownership, evoked a remarkably unanimous defence, on the part of the newspapers, of Canada's public ownership enterprises as well as of the general principle. The press, undoubtedly, does reflect the popular sentiment. English-speaking Canada, particularly Ontario and the Western provinces, is strongly favorable to public ownership. In the Maritime Provinces the development has been slower, while the Province of Quebec has been the paradise of the promoter of private companies.

Sentiment in the Dominion in favor of public ownership of public utilities has been growing for years, but the war has had an interesting effect in hastening the translation of sentiment into policy. This is seen in such developments as the plan of the Winnipeg City Council to combat the high cost of living by engaging as a municipality in the bread-baking, dairying and fuel business, if the Legislature will grant the necessary power. It may be said generally that the war has brought the government closer to the people than ever before. As a result there has come a new sense of responsibility on the part of the administration and a new desire on the part of the people for communal enterprise. There is need to secure and make permanent whatever of good there is in the new spirit. On the other hand, warning must be issued against too rapid an extension of public obligations. There is danger in an excess of national service enthusiasm, and if not carefully curbed a force which has tremendous potentialities for public advantage may become an actual menace.

## Terrible Example Is Pointed Out

The Intercolonial Railway was the "terrible example" by which Mr. Dunn sought to demonstrate what he called "The Failure of Government Ownership in Canada." While some of his criticism of the management in the past of the Intercolonial Railway was well taken, the selection of that line was not entirely fortunate. Weaknesses of Mr. Dunn's argument were quickly pointed out, and a semi-official reply to his statements has been made by Mr. J. Lambert Payne, of the Department of Railways and Canals. The Intercolonial was built to unite the Maritime Provinces with the upper provinces, and its construction was a definite condition of the acceptance by New Brunswick and Nova Scotia of the Confederation plan. It is not fair to compare the financial showing of the Intercolonial Railway with that of the Canadian Pacific Railway. The former was built, for political and partly for military reasons, entirely in Canada, despite the fact that much of the line is in territory which is economically poor. Its route would never have been located as it was, had considerations of revenue alone prevailed, but that route has been abundantly justified since the outbreak of the war, as it provides the only land transportation line between Central and Western Canada and the Atlantic Ocean lying entirely within the Dominion. The Canadian Pacific Railway "short line" to St. John was not available for military purposes because Canadian soldiers could not be transported across the State of Maine. Moreover, any criticism of the financial administration of the Intercolonial Railway must take into account the claim of the Maritime Provinces, supported by continuous practice for nearly fifty years, that the Confederation bargain provided for operation of the railway at cost, regardless of interest charges. Such a policy is also defended on the ground that any charge which the Intercolonial Railway may be upon the people of the Dominion at large for the benefit of Eastern Canada is more than offset by the annual cost of \$1,700,000 to the Dominion, over and above interest charges, of the free operation of canals in the upper provinces.

Mr. Dunn estimates that the total cost of the Intercolonial Railway up to the beginning of the fiscal year 1914, including unearned interest, was \$348,089,518, which has been borne by the public. The advocate of government ownership answers this statement by pointing out that the privately owned railways of the Dominion have also been a heavy

charge on the public. A recent compilation of contributions by the people of Canada to the privately owned railways is as follows:

Cash aid ..... \$238,830,000  
Land (value at \$4 per acre) ..... 175,717,000  
Purchase of Grand Trunk

Pacific bonds ..... 33,116,000  
Government guarantees ..... 350,622,000

The total of \$798,285,000, it is claimed, represents half the probable cost of all privately owned railways in Canada. The same authority places the total money invested in the publicly owned railways of the Dominion at \$273,900,000. The present value of public aid in the form of land grants to the railway corporations is astonishing. No less than 43,929,312 acres of land have been granted to Canadian railways by the Federal and Provincial governments. Mr. J. S. Dennis, assistant to the president of the Canadian Pacific Railway, told the Dominion's Royal Commission a couple of weeks ago that of land grants to the company totalling 27,787,921 acres, 21,276,527 acres had been sold, realizing no less than \$100,396,817. The balance sheet of the Canadian Pacific Railway for June 30, 1916, shows an item designated "surplus in other assets," representing chiefly the estimated value of unsold land, and the amount of this item is \$121,215,174.

## Politicians Are Deprived of Patronage

Any comparison of public contributions to the privately owned and the publicly owned railways of Canada must take account of differences in rates for service. Both passenger and freight rates are considerably lower on the Intercolonial Railway than on any of the privately owned lines. Mr. Payne contends, as a result of an analysis of operations for the year 1913, before the war, that if the Intercolonial Railway rates had been applied to the Canadian Pacific Railway, the latter would have been able barely to meet its fixed charges. On the other hand, if the Intercolonial Railway had enjoyed the Canadian Pacific Railway rates it would have earned almost 4 per cent on the capital invested in it.

No one will deny that there have been gross extravagance and the use of political influence in the management of the Intercolonial Railway. The politicians of the Maritime Provinces have always considered that that railway was designed to assist them in vote-catching operations. Many of them are dissatisfied with the present administration of the road because it deprives them of their expected and wonted patronage. Shortly before the last annual report on the affairs of the Intercolonial Railway was issued, a man conversant with the situation said to your correspondent: "If they knew in Nova Scotia that the Intercolonial Railway was revenue producing at the present time the politicians would be on the back of the Minister of Railways like a bunch of wolves for stations, etc." The public ownership man is obliged to admit that political influences are a serious handicap to the most efficient operation of government railways, but he offers a counter argument by reference to the grand election scandals in the early days of the Canadian Pacific Railway and to the general history of the privately owned railway systems of the Dominion.

The Intercolonial is not the only public owned railway in Canada and the Temiskaming & Northern Ontario Railway is another case of a public enterprise which has proved of almost inestimable value. It is to the credit of the Temiskaming & Northern Ontario Railway that, as a pioneer in Ontario's hinterland, it opened the great clay belt with its splendid agricultural areas, was indirectly responsible for the discovery of cobalt silver, and made possible the development of the enormously rich but little known resources of Northern Ontario in pulp wood and mineral. Indeed, the Temiskaming & Northern Ontario Railway started the development which has since resulted in throwing back the great frontier of unknown territory limiting Canada in the north and converting this Dominion from a mere ribbon to a much wider band lying north of the international boundary. The Temiskaming & Northern Ontario Railway is an Ontario government undertaking, and is efficiently administered by a non-political commission. No railroad in Canada can show a cleaner record or better present management. It, too, has done much to strengthen public confidence in public ownership.

The most important factor in promoting public ownership sentiment, in Ontario at least, has been the success of the Provincial Hydro-Electric enterprise. The latter is unquestionably the greatest public power project of the kind in the world, and the benefits which it has brought to Ontario have been nothing short of

marvellous. The future development of the Province depends in large measure upon an adequate supply of hydro-electric power. Briefly stated, the enterprise was at first entirely, and is still very largely, one of cooperative transmission and municipal distribution of electric power.

It has since been extended, however, to include on an increasing scale the cooperative generation of power. The total capital investment by the Provincial Commission, including that on the Central Ontario system purchased this year, is in excess of \$21,000,000, while the municipalities have invested more than \$18,000,000 in distributing systems and executive equipment. On December 31, 1915, no less than 99 municipalities were partners in the enterprise, as compared with 68 at the end of 1914, 45 in 1913 and 28 in 1912. There were 117,010 light and 3,818 power consumers. Not only has hydro-electric power at a remarkably low price been made available for many towns and villages, as well as for cities, but it has been carried to the farmers and has done much to solve many of the problems of the farm. Thrashing, cutting and milking are done with Niagara power on scores of Ontario farms to-day, while homes are lighted with it and the farmer's wife employs it in washing, churning, heating and cooking. The effect has been revolutionary and still the enterprise is only in its infancy. Plans have been prepared for a network of radial railways operated by hydro power. Twenty-five municipalities will vote in January on a four million dollar hydro-radial project, and other lines are under consideration. Hydro-electric power to-day is a factor of tremendous importance in the production of war munitions by Ontario factories, while some idea of the various uses to which it is put is suggested by the announcement that such power will be used at Sarnia to cut stone for the new union station in Toronto.

## Power Obtained from Niagara Falls

The Hydro-Electric Commission obtains the larger part of its power supply at Niagara at \$9 per horsepower, but is paying \$12 per horsepower for a supplementary supply. It is expected that the development of electric energy by the commission near Queenston Heights will reduce the cost to \$6 per horsepower. The cost at which the commission supplied power to the municipality of Toronto in 1912 was \$18.50 per horsepower. On December 31, 1915, the municipality was taking 32,748 horsepower at \$14.50 per horsepower. Other municipalities pay in proportion to the load they take. The hydro-electric enterprise of Ontario has serious problems to face, and some criticism is heard occasionally of its administration and service. But no enterprise is free from such. Millions of dollars have been saved to the people of the province in lighting and power rates. Private companies have been forced to reduce their rates to meet the competition of the Hydro. The latter is now distributing 135,000 horsepower from Niagara and will soon be distributing nearly 200,000 horsepower from its several systems—the equivalent, it has been estimated, of more than 4,000,000 tons of steam coal per year. The enterprise has passed from the experimental stage and its success is indicated by the fact that the percentage which the net debt balance bears to total assets has been steadily decreasing, from 92.5 per cent in 1912 to 88 per cent in 1913, 83 per cent in 1914, and 80.3 per cent in 1915. Public ownership in Canada cannot be condemned indiscriminately when the hydro-electric organization, of the magnitude indicated, is supplying power to more than 120,000 consumers in Ontario at rates much lower than those charged by private companies in New York State. Whatever faults the Hydro administration may have, it must be admitted that the enterprise has brought enormous benefits to the people of Ontario and that it possesses the grateful confidence of by far the larger part of the province served by it.

## Western Provinces Lean to Paternalism

Municipal ownership in Canada has seen its most reckless application west of the Great Lakes. In many cases conditions resulting from the war proved a severe strain and retrenchment was necessary. Western municipalities undoubtedly went too fast with such projects. It may be said, however, that even with some admitted weaknesses, the people prefer that the development of certain public services be kept in the hands of the municipalities. The people of Western Canada demand a greater measure of "paternalistic" government than is expected in the East. The Federal and provisional governments have gone certain distances in complying with this demand and with varying success. Administration of the government's elevator system seems to give satisfaction and the appeal is for an extension of it.

These considerations show that public ownership in Canada cannot properly be called a failure. There will be varying estimates as to the extent of its success and there is room for a reasonable divergence of opinion on this point. Wherever public ownership has proved successful, it has been so by reason of honest, capable, independent administration, free from political interference. Nationalization, in part or whole, of Canadian railways cannot be condemned untried, by Canadian experience with other public ownership projects. After all, it is a question of individual men for administration. The war is teaching many Canadians their responsibilities of national service, and they have come to a recognition of the state's claims upon their talents. This may be an important factor in the future in the successful application of the principle of public ownership and operation of services frequently classed as "public utilities." In the hands of really "big" public-spirited men, the railway lines of the Dominion might be operated to the distinct advantage of the country.

While complete nationalization of the Canadian railways is probably impossible at once, nevertheless the war is certain to stimulate public ownership sentiment in the Dominion.

Canada already shows a greater tendency to economic apostasy, according to the view of the confirmed individualist, than does the United States, and the war will accentuate the divergence in the economic policies and theories of the two nations which share this North American continent. War inevitably requires the employment of more or less "paternalistic" measures, and their influence will probably persist long after the war closes. It will be extremely interesting to watch the development in this respect.

ion. Canada already shows a greater tendency to economic apostasy, according to the view of the confirmed individualist, than does the United States, and the war will accentuate the divergence in the economic policies and theories of the two nations which share this North American continent. War inevitably requires the employment of more or less "paternalistic" measures, and their influence will probably persist long after the war closes. It will be extremely interesting to watch the development in this respect.

## Nationalization Costs Being Investigated

While it is accepted that the Dominion government is disposed to adopt some policy of nationalization as a permanent solution of its railway problem, no definite plan of putting such a policy into effect has yet been devised. The financial difficulty appears to be the most serious. To some it seems insurmountable and they declare that the Dominion's heavy obligations on account of the war preclude any adequate policy of nationalization.

The people of Canada have no adequate idea as yet of what nationalization of the Grand Trunk Pacific and the Canadian Northern Railway would mean as a financial proposition. The report of the special commission now investigating the situation is being awaited with much interest. It will educate the public to the real facts of the Canadian railway problem and throw light on the financial aspect of the question. It is certain that the Grand Trunk Pacific and the Canadian Northern Railway will both demand that any settlement by nationalization should provide compensation to the companies for their enterprise and investment and that the matter be settled on the basis of expected future profits rather than on that of present financial necessities. The danger is that nationalization on such a basis would place the public ownership operation of these two transcontinental lines under a serious handicap and that the country would have to accept the certainty of large deficits for years to come. It seems likely that the matter will be settled by negotiation, and certainly the government is in a position of strategic advantage in such bargaining if it only uses that advantage to secure a businesslike settlement in the interests of the Canadian people. The Canadian Parliament will reassemble in January, and legislation based on the findings of the special railway commission is promised before the end of the session.

In view of the government's heavy financial obligations, arising directly or indirectly from the war, there seems little likelihood that the enormous powerful Canadian Pacific Railway or even the Grand Trunk Railway will be included in the nationalization scheme for the present. Certainly there will be a political demand for their inclusion. It will be contended that these profitable lines are necessary to make government operation a success by making possible the coordination and consolidation of all the railways of the Dominion. But announcement of the cost of nationalizing these roads will prove a strong, and probably a decisive, argument against their acquisition at the present time. Taxation in Canada will be heavy for the next decade at least, and the people will hesitate at a proposition of the magnitude of that involved in general nationalization of Canadian railway lines. The outlook to-day for two strong transcontinental railway systems—working in conjunction with ocean steamship lines under related control—one system owned and operated by the government and the other by the Canadian Pacific Railway, with the Grand Trunk Railway retaining its present lines and competing for local traffic in Ontario and part of Quebec.

The receivership principle lies conveniently at hand. Its main lines of corporate recuperation are clearly grooved in the habit of the law. It suggests luminously that corporations can be socialized by other means than public purchase of stock holdings or of the physical plant. Stock holdings can be transmuted in the twinkling of an eye into debentures or certificates of bonded debt, at the figure of current market quotations. The government underwrites the securities and stands ready to finance extensions, upkeep and improvements.

## Unity and Self-Government for The Railroad System of the United States

By Charles Ferguson

Author of "The Great Years," etc.  
Commissioned by President Wilson in 1913-'14 to investigate the relation of the business system to the government in the principal European countries, and in 1914-'15 to communicate his findings on this subject to American business communities.

PERHAPS Mr. Vanderlip spoke with a hint of exaggeration when he said the other day that forty-two thousand miles of American railroads are in the hands of receivers. But the amount is large, and the suggestion is obvious that a general receivership for the whole interstate transportation system might furnish the best possible solution for the railroad problem.

I want to recommend that solution. Mr. Newlands's committee should consider the idea of turning the Interstate Commerce Commission into a general and permanent receivership.

Some years ago Senator Newlands worked out an interesting plan for general railroad consolidation with a view to making the whole system self-governing and public purpose at one stroke—without public or political "ownership." Judging by his exordium at the opening of his investigation, he seems to have forgotten his earlier inspiration. He should be reminded.

He speaks now as if our choice lay of necessity between public ownership on a Prussian pattern and the rule of private interests with a stifler check rein and curb bit. That is a narrow and unimaginative view. It lacks all savor of mental fertility. It has no tag of the soil of the United States.

We should reflect that the solution of the railroad problem involves pretty nearly everything else in the business world—commits us to a theory that we shall have to stand by, of the general relation of the business system to the government.

Now, I submit that, while it is a good deal better to Prussianize the business system than to let it run loose in orgies of anarchy, it is nevertheless perfectly possible for the United States to vastly outclass the Prussian method by creating a business system that is both autonomous and social.

We should begin with the railroads. We should embrace the idea of complete unification. That is obvious. We should abandon the notion that the vast and intricate organization thus formed can be effectively directed by any of its vital processes—rate fixing, wages, finance—by any organ that lies outside the body of the system.

Thus, unless we are ready to adopt the socialistic theory that election by majority should supersede our present practice of contractual selection in the control of the staple industries, we ought to decide that the Interstate Commerce Commission must either get inside the railroad system or get off the track.

The way to put the commission inside the system is to turn it into a general receivership by act of Congress.

The receivership principle lies conveniently at hand. Its main lines of corporate recuperation are clearly grooved in the habit of the law. It suggests luminously that corporations can be socialized by other means than public purchase of stock holdings or of the physical plant. Stock holdings can be transmuted in the twinkling of an eye into debentures or certificates of bonded debt, at the figure of current market quotations. The government underwrites the securities and stands ready to finance extensions, upkeep and improvements.

The Interstate Commerce Commission, upon undergoing this metamorphosis, should naturally reform and enlarge its personnel in such manner as to furnish a well balanced executive on the most successful models. Its membership should perhaps be recruited for the future not by Presidential appointment, but by some kind of cooptation that would furnish promotion from the ranks of the railroad world.

The receivership idea, as a legal conception, may be described as the principle of executive arbitration. We have judicial arbitration to settle the question who is right and who is wrong in a legal controversy. The occasion for a receivership arises when the disagreement turns not on

a matter of right and wrong, but on the question how can a thing be done that everybody wants done.

Thus, the receivership principle should be dissociated from the idea of failure and disaster. It is the straight way out of a huge, jangling controversy—freighted with dire social portent—among owners, workers and the public, as to how the railroads should be run.

## Romance of the Ditch

THROUGHOUT all time the inhabitants of the desert have been men of force and originality both in thought and endeavor. Their civilizations have ever been marked alike by material and mental accomplishments. It was no mere coincidence that this was as true of the Arabs who overran Spain as of the Babylonians who blazed the way of civilization, for their freedom of thought and initiative in action were bred in them by the vastness and solitude of their environment.

So in our times, we are building in our arid regions an empire of irrigation that embodies the spirit of progressive democracy. It is no mere accident that irrigated regions have set the pace in all manner of intelligent agricultural production and distribution. Nor is it by blind chance that in the main the states of irrigation are among the lowest in illiteracy and the source and mainstay to-day of most of the reforms in our social, economic and political life. For irrigation is that wonderful thing, the creation of life from death, and making glad the waste places of the earth.—A. W. Douglas, in a bulletin of the Chamber of Commerce of the United States.

## World Looks To America For Its Toys

AMERICAN made toys will not only find their way into the homes of nearly every family in the United States next Christmas, but the youngsters in nearly every foreign country with the exception of Germany and Austria will be made merry with the products of American toy factories. Never before have so many toys found their way out of the country. They have been shipped to all parts of the world in response to a demand which has developed since the blocking of German and Austrian ports has made it impossible for those countries to export their products.

Great Britain during the year ended June 30, 1916, bought nearly three-quarters of a million dollars' worth of American toys and South America came in for a good share of American shipments during that period; China bought \$12,209 worth. Japan purchased five times more than she did in the fiscal year 1914. British South Africa increased her purchases nearly 300 per cent and numerous smaller countries "sampled" the American product. The wonderful growth of this industry is shown in the official figures of the Department of Commerce. During the fiscal year 1915 sales of American toys amounted to \$2,030,089, an increase of approximately 150 per cent over the fiscal year 1914, when exports were valued at \$809,120.

American purchases of toys, on the other hand, showed a big falling off, imports during the last fiscal year representing a decrease of approximately 65 per cent, as compared with the fiscal year 1914. The figures in detail follow:

Exports of American toys	
	—Fiscal year—
To Europe	1914. 1915.
Europe	\$191,493 \$791,224
North America	438,538 811,955
South America	57,515 165,584
Asia	33,958 46,249
Oceania	76,901 176,909
Africa	10,715 38,168
Totals	\$809,120 \$2,030,089

Imports	
	—Fiscal year—
From	1914. 1915.
Austria-Hungary	\$4,592 \$3,110
France	12,266 6,166
Germany	1,791,913 617,333
England	2,483 158
Japan	2,925 7,471
Totals	\$1,816,496 \$672,270

All other toys	
Austria-Hungary	\$177,809 125,572
France	206,194 98,554
Germany	5,926,941 1,758,663
England	420,859 137,306
Japan	434,006 494,248
Totals	\$7,267,523 \$2,544,774

Discussing the boom in this American industry—the manufacture of dolls and toys—Dr. Edward Ewing Pratt, chief of the United States Bureau of Foreign and Domestic Commerce, said that many of the older companies are now established on a scale they never dreamed of before. He said:

I have talked to a number of successful manufacturers, and their opinion seems to be that the most promising field is the manufacture of typical American toys. These are being brought to a higher degree of perfection and, even more important, are being brought into a higher degree of public favor. Once these toys are firmly established it will be difficult to sell Continental toys and dolls in this market again to anything like the extent to which they were formerly sold.

## FINANCIAL PRIORITY OF JAPAN IN ASIA

Her Banks Are Overflowing with Newly Acquired Wealth and Investments in China Are Urged by Country's Leading Business Men

By ADACHI KINOSUKE

JAPAN is actually worrying over what she is going to do with her money.

Her specie reserve has long since passed the 600,000,000-yen mark. Prominent men in Japan are discussing in all seriousness how to handle the accumulated and fast-accelerating idle funds in the banks.

At first the people said that we should use them to pay off our foreign debts. Japan has been paying her foreign creditors more than \$50,000,000 a year in interest charges. Why not cut that item off the wrong side of the ledger? The suggestion was sane and the country at large thought well of it. Then the experts got on the job. That brought about a considerable change in public opinion on this important matter.

Mr. Shidate, the governor of the Nippon Kogyo Bank, for example, favors the payment of our foreign debts only in a slow and gradual manner. He does not think it wise for Japan to employ anything like the bulk of her idle funds for that purpose. His reason is that, after the great war, interest rates in European money markets are bound to soar—just how high no man could say. Obviously, under such conditions, it would be impracticable for Japan to raise any loans in Europe, and he thinks there will come a number of things in the post-bellum period that may call for a good deal of outlay on the part of Japan. His idea is to conserve a good deal of the cash which we are getting at this time and invest it in gilt-edged foreign securities—the kind especially upon which one could realize quickly—and in the short-term obligations of foreign governments—Russian treasury notes, for example. The funds may not command handsome interests, but, in the end, he thinks we would gain by so doing.

Time Ripe for Expanding Industries  
Mr. Wada, the president of the Fuji Spinning Company, is decidedly for an aggressive programme. He says: "There is no quarrel at all on paying back the money we borrowed. At the same time, we have right in front of our eyes a number of enterprises important enough to affect the very destiny of our country. And, happily, the time for the redemption of our national debts is some ten years away. This is the matchless opportunity for the expansion of our industries."

Mr. Wada is one with almost all the leading financiers of Japan in his emphasis on the Japanese investments in China. To the rest of the world, China is simply a great market. To Japan, she is a great market and something more—decidedly more. Our industrial and political life is a mirror wherein one can see almost every detail of success or failure of our diplomacy in China and of our industrial activities there. Mr. Wada contends that what we have accomplished in China so far is pitiful. If we have tears to shed, why, there is ample room in China to shed them in. What the white men have done in China is quite another story. Without counting the more pretentious undertakings such as railway construction work and the development of mines—for to do so is too humiliating for us—but in minor things the European and American investments in China amount to a good deal more than \$300,000,000 in value. The Japanese investments in China cannot be compared with them, but they can turn themselves into a fair joke beside the white men's achievements. Yet the European and American investments in China were a simple matter of money. With Japan China is a "To be or not to be" problem.

## Trade Follows Bankers' Footsteps

The present opportunity appears to Mr. Wada to be good enough for any red-blooded Japanese enterprise to jump at. He thinks, though, that the banker should lead the procession. His slogan is the establishment of branch offices of the leading Japanese banks at all the principal trade centres in China. The crying need of Chinese trade to-day is the establishment of banking facilities and credit machinery throughout the republic. Mr. Wada does not say anything about the trade following the flag. He does not seem to know the time when the trade follows the establishment of the banking facilities. And that time is now. Commercial and industrial activities are calling for the banking facilities in China as a babe for the mother's milk. Mr. Wada also is eloquent in his plea for the commercial occupation of the South Sea markets.

## "The opening and cultivation of the new markets in the region of the South Seas," he declares, "is of utmost importance. There are the rubber plantations in the Kingdom of Johor in Malay Peninsula. The new

markets of Borneo, Java, Sumatra, the Celebes Islands and Australia are the promised land for our war. And—and the only solitary credit organ we have to-day is a branch of the Tai-wan Bank at Singapore."

Mr. Fujise, one of the managers of the Mitsui Bussan Company, that 20,000,000-yen industrial incarnation of the famous House of Mitsui—is decidedly opposed to such passive use of our idle funds as the payment of our national debts ten years before their maturity. He is for the extension of the productive activities of the nation. Development of domestic enterprises first of all, and then, if funds permit, we should enter China. He thinks well of the railway construction enterprises in China—he pronounces the railway loans of China the best form of investment there. We should take the present opportunity—he contends—to pick up Chinese railway bonds in the London market, where they could be bought at an attractive price now that England is mobilizing the foreign securities held by her capitalists.

"One vital consideration," he says, "for investment abroad is the international relations between our country and the foreign investment fields. The safest way to invest abroad is to put one's money in a country where our own nation can afford practical and ample protection in times of trouble. China, I believe, is the safest field for our investments."

## Chinese Investments Are Favored

With the business interests of Japan the voices of these men carry far. It seems fairly settled that the best use for Japanese surplus funds now crowding upon our more or less embarrassed banks is in Chinese investment opportunities.

That is the real test of Financial Japan for some years to come. And according to the test our showing assays very poorly. Last year the Department of Trade in the Ministry of Foreign Affairs published a book on what our people are doing in China. The information contained in it came from the various consular officers stationed at important points in the Chinese Republic. And the Japanese consular officers enjoy, rightly or wrongly, a reputation for being as well informed in Chinese matters as the best.

In 1914—so says the above-mentioned official publication—there was altogether about \$12,244,000 of Japanese capital invested in the industrial enterprises in China of all types, from match factories to electric works. And about \$90,390,000 in banking and commercial business there, the capital investment of a little over \$100,000,000 gold, all told. This sum does not include the loans made to the Chinese government, either central or provincial.

There are eminent men and great newspapers in the United States who think—and some of them think aloud, too—that Japan is wholeheartedly working the development of the sleeping resources of China. This largely because the prominent men and newspapers are innocent of just such an array of figures I have taken from the official report mentioned.

## Japan's Ambitions Not Yet Realized

Japan, whose great aspiration is to be the dominant power in the economic and financial life of the Asian continent, has only a little over \$100,000,000 invested in China! Is this the sort of thing that frightens the United States?

One hundred million dollars are not twenty billion dollars. Twenty billion dollars have gone into the building of the American railways. The building of China's railways would call for quite as much. America does not seem to know this simple fact. Neither does she seem to know that twenty billion dollars would leave something like five billion dollars of change to spare.

Now, the railway construction work is not the only thing China is calling for at present. There are her mines. The opening of her mineral resources would call for at least half the capital needed for the building of her transportation facilities. And there is the capital needed for her factories. The United States has over \$18,000,000,000 invested in her manufacturing industry. There is no reason why China cannot use at least one-half of the amount profitably. There are other things calling for outlay.

Japan has her \$100,000,000 invested in China.

And America is having a nervous breakdown because Japan is about to monopolize the industrial wealth of China. Isn't this enough to make the gods laugh? Just why this does not make men—especially the men so gifted with the sense of humor as the Americans—laugh I do not know.